

City of Detroit


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TO: Walter C. Watkins, Jr., Chief Development Officer
Economic Development Department

FROM: Irvin Corley, Jr., Fiscal Analysis Director 

DATE: April 25, 2005

RE: 2005-2006 Budget Analysis

Attached is our budget analysis regarding your department's budget for the upcoming 2005-2006 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing. We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:cyb

Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Roger Short, Budget Department Director
Tanya Mason, Budget Department Team Leader
Sean Werdlow, Chief Financial Officer-Mayor's Office
Kandia Milton, Mayor's Office

Economic Development Department (36)

FY 2005-06 Budget Analysis by the Fiscal Analysis Division

Summary

The Economic Development Department is a General Fund agency. It was formally called the Planning & Development Department.

The recommended 2005-06 Budget totals \$62.7 million. This represents a \$2.47 million reduction (3.8%) from the current fiscal year.

The department's net tax cost is \$(31,709,015), which decreases 8,142,065. This is due primarily to a corresponding increase in City revenues of \$6.8 million.

In the recommended budget, the department receives 55.2% of its revenues from federal grants, which consists of Community Development Block Grant funds, and HOME Program funds. The Mayor anticipates that the department will receive \$888,675 more in grant revenues in the upcoming fiscal year.

The City Council deliberates over the federal dollars in the budget during its review and approval of the city's Consolidated Plan that is submitted to HUD. Consequently, this budget analysis concentrates on the General Fund and Capital Improvement budgets of the department.

The Mayor recommends a capital improvement budget of \$1 million, which is a \$2 million decrease from the current year's budget.

The Mayor recommends a net decrease of 22 positions, consisting of 12 City positions and 10 grant positions.

2004-05 Surplus/(Deficit)

The Mayor anticipates a net deficit for the department in the amount of \$5,832,248. The deficit consists of a revenue deficit of \$7 million, offset by an appropriation surplus of \$1,167,752.

Overtime

The department's overtime budget for 2004-05 is \$85,300. As of March 31, 2005, the department has spent \$5,779 (6.8%) on overtime. The Mayor recommends \$43,152 in overtime for the department in 2005-06.

Personnel and Turnover Savings

The Mayor recommends no turnover savings for the department in the 2005-06 Budget.

The following is information by appropriation comparing FY 2004-05 positions, as of March 31, 2005 filled positions and FY 2005-06 recommended positions:

| <u>Appropriation/Program</u> | <u>Budgeted Positions FY 2004-05</u> | <u>Filled Positions 3/31/2005</u> | <u>Mayor's Budget Positions FY 2005- 06</u> | <u>Over/(Under) Actual to 04/05 Budget</u> | <u>Mayor's Recommended Turnover</u> |
|--|--|---|---|--|---|
| Economic Development (36) | | | | | |
| 00015 Real Estate-City | 37 | 30 | 34 | (7) | \$ - |
| 360105 Planning-City | 3 | 2 | 2 | (1) | \$ - |
| 360125 Site Plan Review | 4 | 2 | 0 | (2) | \$ - |
| 360145 Development City | 16 | 14 | 12 | (2) | \$ - |
| 00883 Development-City | 23 | 18 | 14 | (5) | \$ - |
| 360010 Administration | 29 | 28 | 28 | (1) | \$ - |
| 360012 Grants/MIS | 13 | 13 | 12 | 0 | \$ - |
| 360013 Financial Management | 16 | 16 | 16 | 0 | \$ - |
| 360015 Contract Compliance | 13 | 13 | 12 | 0 | \$ - |
| 06040 PDD Administration-BG | 71 | 70 | 68 | (1) | \$ - |
| 360060 Development BG | 26 | 24 | 24 | (2) | \$ - |
| 360100 Planning BG | 25 | 23 | 20 | (2) | \$ - |
| 360120 Real Estate BG | 3 | 4 | 4 | 1 | \$ - |
| 06044 Development-BG | 54 | 51 | 48 | (3) | \$ - |
| 06106 Home Program 94 Administration | 10 | 10 | 10 | 0 | \$ - |
| 06667 NRR Rehab. Program Staff | 49 | 58 | 46 | 9 | \$ - |
| 11134 Ofc. of Neighborhood Development | 3 | 2 | 3 | (1) | \$ - |
| 360036 Neighborhood Development-Admin. | 13 | 10 | 15 | (3) | \$ - |
| 360037 Neighborhood Development-Public | 4 | 0 | 0 | (4) | \$ - |
| 360038 Comm. Based Org/Eco Dev Tech | 1 | 6 | 6 | 5 | \$ - |
| 11494 Comm. Based Org/Eco Dev Tech Asst | 18 | 5 | 21 | (13) | \$ - |
| 11815 Emergency Shelter Staff-PDD | 0 | 0 | 1 | 0 | \$ - |
| 36XXXX Leave of Absence | <u>0</u> | <u>(3)</u> | <u>0</u> | <u>(3)</u> | <u>\$ -</u> |
| TOTAL | <u>265</u> | <u>244</u> | <u>245</u> | <u>(21)</u> | <u>\$ -</u> |

Proposed Layoffs and Vacant Position Reductions

The 2005-06 Budget requires layoffs in the Economic Development Department. The department is losing a net total of 22 positions (12 City positions and 10 grant positions). The reductions of the positions include, 11 layoffs, the removal of 16 vacant positions, offset by 5 transfers into the department from the Human Services Department into block grant appropriation 11494 Community Based Org/Economic Development Technical Assistance. The reductions and transfers are detailed as follows:

| Title | Deletes | Layoffs | Transfers | Total |
|-------------------------------|--------------------|--------------------|-----------------|--------------------|
| Appraiser III | | (1) | | (1) |
| Assessment Tech | | (1) | | (1) |
| Information Tech | (1) | | | (1) |
| Sr City Plan-Design | (3) | (1) | | (4) |
| Sr Development Spec | (5) | (2) | 2 | (5) |
| Teller | (1) | | | (1) |
| Housing Rehab Spec | (1) | (1) | | (2) |
| Sr City Plan-Res | (1) | (3) | | (4) |
| Assoc Dev Spec | (1) | | | (1) |
| Sr Gov't Analyst | | (1) | | (1) |
| Principal Development Spec | | | 1 | 1 |
| Princ soc & Planning Dev Spec | | | 2 | 2 |
| Office Assistant III | (2) | | | (2) |
| Office Assistant II | (1) | (1) | | (2) |
| Totals | <u>(16)</u> | <u>(11)</u> | <u>5</u> | <u>(22)</u> |

Significant Funding by Appropriation

Appro. Program

| | | |
|-------|----------------------------|---|
| 00014 | Community Development | This appropriation increases by \$104,000 due primarily to increases of \$50,000 for appraisals and a \$54,000 increase for title information. |
| 00015 | Real Estate - City | This appropriation decreases by \$635,010. The reduction is due to a decrease of \$181,000 in the cost related to block grant reimbursements (indirect costs), a \$319,657 decrease in salaries, a \$157,000 decrease in pension related to the loss of 3 positions, and various other decreases, offset by an additional \$169,000 in (distributed costs). |
| 00595 | Economic Dev. Corporation | The City's contribution for the Economic Development Corporation remains at \$300,000 in 2005-06 FY. |
| 00597 | Economic Grow. Corporation | This appropriation for the Detroit Economic Growth Corporation is budgeted at \$1 million. |
| 00883 | Development - City | This appropriation decreases by \$1.27 million, due primarily to a decrease of \$426,869 in salaries due to the loss of 9 positions, a \$253,000 decrease in pension costs, \$326,000 in the cost related to block grant reimbursements (indirect costs), \$42,000 reduction in (distributed costs), and a \$104,000 decrease in appraisals. |
| 11134 | Off. of Neigh Development | This appropriation decreases slightly by \$20,000 in 2005-06. FY. |

Significant Revenue Change by Appropriation and Source

Appro. Program

| | | |
|-------|-----------------------|---|
| 00014 | Community Development | Revenue source increases by \$33.41 million due primarily to a \$33.59 million increase in the sales of City real property, offset by a \$450,000 reduction in Land Contract Principal Foreclosures, a \$60,000 decrease in Rental-Public Buildings and other slight reductions. |
| 00015 | Real Estate-City | This revenue decreases from \$21 million to zero in 2005-06. In the 2004-05 FY, this figure relates to the anticipated sales of large parcels. The figure was budgeted at \$21 million due to anticipated sales of various City owned sites, which included 3 parcels at the DEHOCO site, the former Marine Reserve site on E. Jefferson, the Porterfield Marina site, etc. |
| 00883 | Development - City | This revenue decreases from \$6.3 million to \$542,945 in 2005-06. The reduction is due primarily to a \$6 million reduction in sales of City real property, offset by a \$244,370 increase in miscellaneous receipts. |

Economic Development (36)

| Budgeted Professional and Contractual Services by Activity | FY 2004-05 <u>Budget</u> | FY 2005-06 <u>Recommended</u> | Increase (Decrease) |
|--|-----------------------------|----------------------------------|--------------------------|
| Administration | \$ 699,716 | \$ 520,000 | \$(179,716) |
| Development | 1,383,607 | 1,396,356 | 12,749 |
| Planning | 314,459 | 609,286 | 294,827 |
| Total | <u>\$ 2,397,782</u> | <u>\$ 2,525,642</u> | <u>\$ 127,860</u> |

Professional and Contractual Services are increased by 5.3% in 2005-06.

Issues and Questions

Eleven of the net reduction of twenty-two positions in the department will result in **layoffs** in FY 2005-06 (positions detailed on page two).

Sixteen of the positions removed from the PDD 2005-06 budget are *vacant* positions. The reduction of positions will be offset by five positions transferring in from the Human Services Department.

According to the Budget Department, PDD indicates that the eleven proposed layoffs in the upcoming fiscal year will have a *minimal impact* of on daily operations.

Development Division

- **(Pg. 36-6)** One of the stated objectives under **Planning for the Future for FY 2005-06, 2006-07...** is a Non-refundable security deposit for active projects that do not perform according to development agreement(s). What is the rationale for this initiative? Will the security deposit be an established flat fee, or a fee based on the size of the development project? In regard to this policy, what, if any, will be this policy's anticipated impact on revenue?

Real Estate Division

- **(Pg. 36-7) Major Initiatives-Establish long term marketing strategies to reach a wider customer base.** What are, if any, are the additional costs involved in implementing this policy? What is the anticipated impact on City owned land sales, once this policy is implemented? What is the projected impact implementation will have on revenue? What's the timetable for implementation?

(Pg. 36-33) Capital Improvements

Brush Park should be listed at \$1 million for 2005-06 and not zero, as it is currently listed, and the Far East Area Project should be listed at zero, in the budget book. The Budget Department will make the appropriate correction in its Erata Letter for the 2005-06 budget.

- What is the current status of the Brush Park development and what is the current projected timetable of completion?
- What are the department's plans in the upcoming fiscal year to address the issue of providing affordable housing in the city?

Office of Neighborhood Commercial Revitalization

(Pg. 36-35) This division was transferred from the Mayor's Office in FY 2003-04 to Economic Development.

- So far, what are this division's major accomplishments in the five "Re\$store Detroit! Districts"?
- What specific goals and objectives does the division plan to complete in the 2005-06 fiscal year?
- What are the five "Re\$store Detroit! Districts"?

Revenue

- **(Pg. 36-47) 0014 Community Development - 464100 Sales of City Real Property** Under this revenue appropriation, the Mayor is anticipating revenue of **\$40 million** in FY 2005-06. Unfortunately, however, as of April 20, 2005, to-date the department has only collected approximately \$5.3 million in revenue overall in revenue

appropriations, 0014 Community Development (\$2 million), 0015 Real Estate (\$0), and 00883 Development-City (\$1.5million).

- What is the rationale for this anticipated (524%) increase in revenue?
- Does the department have any pending large land sales, which are imminent or anticipated to be completed before the end of the fiscal year?
- What is the anticipated impact of the net loss of 22 positions on the department's day-to-day operations in the upcoming fiscal year?

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